

Message Text

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SUBJECT: EDITORIAL IN FINANCIAL TIMES SAYS CURRENCY DEVALUATION
WILL NOT SOLVE CANADA'S MANUFACTURING PROBLEMS

RE: TORONTO A-27

IN AN EDITORIAL OF 7 MARCH, THE FINANCIAL TIMES OF CANADA SAYS THAT
A FURTHER DECLINE OF THE CANADAIN DOLLAT (NOW AT US. DOLS.95)
WILL NOT ALONE BE SUFFICIENT TO SOLVE CANADA'S "MANUFACTURING TRADE
DEFICIT OF ABOUT DOLS 10 BILLION" AND "COMPETITIVE DISADVANTAGE"
OF ITS INDUSTRY IN WORLD MARKETS. FOR THE SHORT TERM, THE DEPRECIATED
DOLLAR WOULD GIVE CANADIAN EXPORTERS A PRICE EDGE. BUT, THE
EDITORIAL SUGGESTS, CANADIAN INDUSTRY MAY JUST USE THEIR EFFECTIVE
PRICE CUTS TO BOOST SALES RATHER THAN INVESTING TO "BECOME MORE
EFFICIENT".

THE FINANCIAL TIMES EDITORIALIZES THAT:

"A DECLINING DOLLAR, THEREFORE, IS NO PALLIATIVE TO THE
UNDERLYING DILEMMA OF CANADA'S COMPETITIVE DISADVANTAGE....
NO SINGLE FISCAL OR MONETARY TOOL WILL BE POWERFUL ENOUGH TO
IMPROVE, AT A STROKE, THE COMPETITIVE POSITIONOF CANADAIN
INDUSTRY, HOWEVER, A VARIETY OF MEASURES COULD BE ADOPTED
NOW, BOTH WITHIN INDUSTRIES AND IN GOVERNMENT POLICY, WHICH
WOULD RESULT IN EFFICIENCY AND PRODUCTIVITY GAINS IN SEVERAL
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PAGE 02 TORONT 00553 072144Z

YEARS.

WITHOUT INCENTIVES FOR CAPITAL INVESTMENT, PRODUCTIVITY AND
MARKETING, CANADA WILL BE UNABLE TO MAKE THE HARD CHOICES
ABOUT WHERE IT IS BEST ABLE TO COMPETE. THE CHOICES --
HOWEVER PAINFUL -- HAVE TO BE MADE."

COMMENT: CANADIAN EXPORT INDUSTRIES, OPERATING BELOW CAPACITY, HAVE BEEN LOOKING FOR A WEAKENED DOLLAR TO HELP OFFSET THEIR COMPETITIVE DISADVANTAGE OF LOW PRODUCTION RUNS AND HIGH LABOR COSTS. RECENT STATISTICS SHOWING THAT CANADIAN LABOR COSTS ARE CONTINUING TO ESCALATE VIS-A-VIS THE UNITED STATES, HAVE MADE A CHEAPER DOLLAR EVEN MORE NECESSARY. AS THIS EDITORIAL POINTS OUT, THOUGH, CANADIAN INDUSTRY IS SUFFERING FROM INEFFICIENT PLANT AND CAPITAL EQUIPMENT BROUGHT ON IN PART BY LOW INVESTMENT IN RECENT YEARS. WITHOUT MORE INCENTIVES TO MANUFACTURERS TO INVEST, THE IMMEDIATE PROFIT ADVANTAGES OF INCREASED EXPORTS - INDUCED BY A DEVALUED DOLLAR - WILL BE LOST OVER THE LONG-TERM TO RISING PRODUCTION COSTS. BOTH THE FEDERAL AND ONTARIO GOVERNMENTS HAVE RECENTLY INTRODUCED OR ARE CONTEMPLATING TAX MEASURES TO STIMULATE BUSINESS INVESTMENT.

PER REFAIR, ONTARIO PROVINCE RECENTLY HOSTED AN ECONOMIC CONFERENCE OF BUSINESS, LABOR AND GOVERNMENT LEADERS TO FIND SOLUTIONS FOR CANADA'S POOR INDUSTRIAL PRODUCTIVITY AND THE DISADVANTAGES IT IMPOSES ON CANADA'S INTERNATIONAL TRADE AND, CONSEQUENTLY, ECONOMY.

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